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AEON STORES (HONG KONG) CO., LIMITED

永旺（香港）百貨有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 984)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWED ROYALTY AGREEMENT

Reference is made to the announcements dated 12 December 2006, 3 April 2007 and 16 April 2010 respectively of the Company in relation to the Royalty Agreement.

The Board is pleased to announce that on 28 December 2012 the Company entered into a renewal agreement to renew the Royalty Agreement with the Adviser on substantially the same terms.

The duration of the Renewed Royalty Agreement shall be 3 years, thereafter extendable by successive three year periods if the parties so agree and subject to compliance with the Listing Rules. The Cap for the three years ended 31 December 2015 shall be HK\$108 million.

The Adviser is a connected person of the Company by virtue of its being a controlling shareholder of the Company. Given that the Cap for each of the three years ending 31 December 2015 represents less than 5% of the applicable percentage ratios as defined in the Listing Rules, in accordance with Rule 14A.34 of the Listing Rules, the Transaction is only subject to reporting, announcement and annual review requirements under the Listing Rules and is exempt from Independent Shareholders' approval requirements under the Listing Rules.

1. INTRODUCTION

Reference is made to the announcements dated 12 December 2006, 3 April 2007 and 16 April 2010 of the Company in relation to the Royalty Agreement. The Royalty Agreement was entered into to govern the provision of certain technical assistance by the Adviser to the Company and will be expired on 31 December 2012 pursuant to its terms.

The Board is pleased to announce that on 28 December 2012 the Company entered into a renewal agreement to renew the Royalty Agreement with the Adviser on substantially the same terms.

2. TERMS OF THE RENEWED ROYALTY AGREEMENT

Duration

The term of the Renewed Royalty Agreement shall be a period of 3 years expiring on 31 December 2015, provided that the Renewed Royalty Agreement shall continue to be of effect for a further three year period (and for each successive three year period) if the parties so agree and that the continuation for a further three year period shall be subject to compliance with the Listing Rules.

Fees and Payment

The Company shall pay to the Adviser a fee in respect of each financial year of the Company an amount representing 0.4% of the audited consolidated Total of Revenue of the Company and its Affiliates for that financial year.

The fee payable by the Company to the Adviser shall be paid within 30 days after the audited accounts of the Company for the financial year in respect of which such fee is payable have been prepared and adopted by the Company.

Trademarks

Pursuant to the Renewed Royalty Agreement, the Company and its Affiliates (through the Company) are granted:

- (a) exclusive right to use the Trade Marks in relation to the Business within the Territory;
- (b) non-exclusive right to use the Trade Marks in relation to the Business within PRC; and
- (c) non-exclusive right to use the Trade Marks in relation to:
 - (i) the provision of retail services;
 - (ii) the operation of Shopping Centres; and
 - (iii) catering services, food-court with seating and restaurants, within the Territory and the PRC.

Technical Assistance

The Adviser shall disclose full particulars of the System to the Company and grant the Company the non-exclusive right to use the System in relation to the Business.

Non-competition

The Adviser undertakes that, except with the prior written consent of the Company, neither the Adviser nor any of its Affiliates will, either solely or jointly with any person, be engaged in or participate in the ownership or operation of retail business in the style of Multiple Category Stores and/or Special Supermarket Stores within the Territory.

3. THE CAP AMOUNT

Historical figures

The historical transaction amounts in respect of the Royalty Agreement for the two years ended 31 December 2011 and six months ended 30 June 2012 were as follows:

Period	Annual cap HK\$'000,000	Fees payable by the Company to the Adviser under the Royalty Agreement HK\$'000,000
Year ended 31 December 2010	55	36
Year ended 31 December 2011	55	40
Six months ended 30 June 2012	55	21

The Cap Amount

The Cap for each of the three years ended 31 December 2015 shall be HK\$108 million.

In arriving at the Cap, the Directors have taken into account various factors including the historical transaction amounts and the historical growth in retail sales of the Group's department stores and the supermarket chain stores, the expected business growth of the Group in Hong Kong and the PRC in the coming three years and the addition of buffer to allow flexibility for the further increase in sales of the Group in light of the expected opening of new stores by the Group in the coming three years depending on the Group's business expansion plans and operational needs, and the possibility that RMB will appreciate.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors have noted that the Trade Marks, which are well known in Hong Kong, Macau and the Guangdong Province of the PRC, are essential to the operations and success of the Group. In addition, the System which comprises information and know-how used, employed or developed by the Adviser for the management and operation of retail stores, wholesale business and related supporting facilities can also benefit the operations of the Group. The Directors therefore consider that the use of the Trade Marks by the Group would continue to benefit the business development and expansion of the Group in Hong Kong, Macau and the PRC. The Directors are of the view that the entering into of the Renewed Royalty Agreement would secure the use of the Trade Marks and the System on terms reasonable to the Company.

The terms of the Renewed Royalty Agreement have been reached after arm's length negotiations between the Company and the Adviser. The Directors (including the independent non-executive Directors) are of the view that (i) entering into of the Transaction is in the ordinary and usual course of business of the Group; (ii) the terms of the Transaction are on normal commercial terms; and (iii) the terms of the Transaction and the Cap are fair and reasonable so far as the interests of the Independent Shareholders and the Group are concerned and are in the interests of the Independent Shareholders and the Group as a whole.

As Messrs. Yoshinori Okuno, Junichi Suzuki, Haruyoshi Tsuji, Yutaka Agawa and Takashi Komatsu may be regarded as having a material interest in the Transaction, they have abstained from voting on the resolutions in respect of the Transaction at the meeting of the Board.

5. GENERAL

The Adviser is a connected person of the Company by virtue of its being a controlling shareholder of the Company. As at the date of this announcement, the Adviser was interested in approximately 71.64% of the issued share capital of the Company.

Given that the Cap for each of the three years ending 31 December 2015 represents less than 5% of the applicable percentage ratios as defined in the Listing Rules, the Transaction falls within Rule 14A.34 of the Listing Rules and is only subject to reporting, announcement and annual review requirements under the Listing Rules and is exempt from Independent Shareholders' approval requirements under the Listing Rules.

6. INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the operation of general merchandise stores in Hong Kong, Macau and PRC.

The Adviser is a public limited company incorporated in Japan and listed on the Tokyo Stock Exchange. The Adviser's subsidiaries and associated companies are principally engaged in the operation of general merchandise stores, the operation of specialty stores, the development of shopping centres as well as service and other operations in Japan and other Asian countries.

7. DEFINITIONS

In this announcement, the following expressions have the respective meanings set out below unless the context requires otherwise:

“Adviser”	AEON Co., Ltd., a company incorporated in Japan with limited liability and the issued shares of which are listed on the Tokyo Stock Exchange
“Affiliates”	with respect to a party, means all companies, firms, corporations or other entities which are either directly or indirectly controlling, controlled by or under common control with that party, provided that this term when referring to the Company and its Affiliates shall not include the Adviser and companies owned or controlled by the Adviser other than the Company and companies directly or indirectly controlled by the Company and, when referring to the Adviser and its Affiliates, shall not include the Company and companies owned or directly or indirectly controlled by the Company
“Amendment Agreement”	the amendment agreement entered into between the Company and the Adviser on 12 December 2006
“associates”	has the meaning ascribed thereto under the Listing Rules

“Board”	the board of Directors of the Company
“Business”	the (i) ownership or (ii) ownership and operation of retail business in the style of Multiple Category Stores and/or Special Supermarket Stores
“Cap”	the maximum aggregate annual value for the fees and expenses payable to the Adviser by the Company pursuant to the Renewed Royalty Agreement for each of the three years ending 31 December 2015
“Company”	AEON Stores (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Stock Exchange
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Direct Sales Area”	(i) the floorspace where consumer merchandise is displayed; (ii) the floorspace occupied or utilised by facilities ancillary to and relating to the above and to which customers have access including corridors, cashier counters, customer service counters, sitting areas, washrooms and baby care rooms; and (iii) the floorspace licensed by the Company to third parties trading under their own names and on their own account
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region, PRC
“Independent Shareholders”	Shareholders other than the Adviser and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region, PRC
“Multiple Category Stores”	a retail store that has the characteristics set out below: (i) groups together within the store at least two of the three categories or departments referred to below, with a wide selection of consumer merchandise within each category or department. The three categories or departments referred to are: (a) clothing, shoes, and accessories;

	(b) household goods and day to day items excluding subparagraphs (a) and (c) of this definition but including toiletries, cosmetics, electrical and electronic appliances and goods, tools and hardware, and houseware; and
	(c) food items;
	(ii) occupies Direct Sales Area of more than 5,000 square meters
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
“Royalty Agreement”	the Technical Assistance Agreement as amended by the Amendment Agreement and further amended by the Supplemental Agreement
“Renewed Royalty Agreement”	the Royalty Agreement as renewed by a renewal agreement entered into on 16 April 2010 and subsequently further renewed by a further renewal agreement entered into on 28 December 2012
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holders of the Shares from time to time
“Shares”	shares of par value HK\$0.10 each in the issued share capital of the Company
“Shopping Centres”	a commercial facility which contains a collection of stores including but not limited to retail stores and restaurants
“Special Supermarket Stores”	a store that sells food items as the store’s major merchandise and occupies Direct Sales Area of more than 500 square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered into between the Company and the Adviser on 2 April 2007
“System”	all information and know-how (including that comprised in formulae, techniques, designs, specifications, drawings, manuals, instructions and catalogues) used, employed or developed by the Adviser for the management and operation of retail stores, wholesale business and related supporting facilities (as the same may from time to time be modified, improved, updated or amended)
“Technical Assistance Agreement”	the technical assistance agreement entered into between the Company and the Adviser on 31 December 1993
“Territory”	Hong Kong and Macau

- “Total of Revenue” the aggregate of:
- (i) the total amount of the consolidated direct sales of the Company and its Affiliates;
 - (ii) the total amount of the consolidated sales of the respective concessionaires of the Company and its Affiliates; and
 - (iii) the total amount of licensee fees and rentals received by the Company and its Affiliates from licensees and sub-tenants of the Company and its Affiliates,
- all attributable to the exclusive and non-exclusive rights granted by the Adviser to the Company to use the Trade Marks under the Renewed Royalty Agreement.
- For the avoidance of doubt, discounts, refunds/return of goods and sales or purchases taxes or levies shall not form part of the items (i) to (iii) above for the purpose of the definition of Total of Revenue
- “Trade Marks” the trade marks that are owned and registered by the Adviser in the Territory and the PRC and may be licensed to the Company from time to time
- “Transaction” the Renewed Royalty Agreement and the transactions contemplated thereunder

By order of the Board of
AEON Stores (Hong Kong) Co., Limited
Chan Pui Man, Christine
Managing Director

Hong Kong, 28 December 2012

As at the date of this announcement, the executive Directors of the Company are Ms. Chan Pui Man, Christine, Mr. Junichi Suzuki and Ms. Chan Suk Jing; the non-executive Directors are Mr. Yoshinori Okuno, Mr. Haruyoshi Tsuji, Mr. Yutaka Agawa and Mr. Takashi Komatsu; and the independent non-executive Directors are Prof. Lam Pei Peggy, Mr. Sham Sui Leung, Daniel, Ms. Cheng Yin Ching, Anna and Dr. Shao Kung Chuen.